

HOOPER CITY, UTAH
FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA

JUNE 30, 2005

HOOPER CITY, UTAH

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
Hooper City, Utah
Hooper, UT

We have audited the accompanying financial statements of the governmental activities, and each major fund of Hooper City, Utah as of and for the year ended June 30, 2005, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 9 and budgetary comparison information on page 26 are not a required part of the financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report dated December 21, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Davis, Chase & Associates

December 21, 2005

HOOPER CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2005

INTRODUCTION

The following is a discussion and analysis of Hooper City's financial performance and activities for the year ended June 30, 2005. Please read it in conjunction with the financial statements that follow.

HIGHLIGHTS

Government-wide

- The City's total net assets increased \$1,866,272 or 89.0 percent over the prior year. Substantial planning and designing costs of the City's wastewater system as well as related grants and impact fees were a significant part of the increase.

Fund Level

- Fund balances in the City's governmental funds increased \$1,036,622 or 117.9 percent from the prior year due primarily to sewer impact fees collected and sewer grant funds used in the planning and designing of the system.
- Total revenues were 169.6 percent higher than the prior year due to growth in impact fees, grants, and building permits. The City has experienced substantial growth from the already growing trend over the past years.

Long-term Debt

- The City's long-term debt decreased \$8,122 or 6.8 percent, since capital lease principal was paid on the maintenance truck loan. The City has also been authorized to receive a \$10,000,000 loan to build future sewer infrastructure over future months.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains other supplementary information concerning budgetary comparisons.

Government-wide Statements - Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities comprise the government-wide financial statements. These statements provide a broad overview with a long-term focus of the City's finances as a whole and are prepared using the full-accrual basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the City's net assets - the difference between total assets and total liabilities - and how they have changed from the prior year. Over time, increases and decreases in net assets measure whether the City's overall financial condition is getting better or worse. In evaluating the government's overall condition, however additional non-financial factors should be considered such as the City's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure.

The government-wide statements distinguish the programs of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). Hooper City's governmental activities include general administration, public safety, parks, highways and public improvements, community development, and interest on long-term debt.

HOOPER CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2005

Fund Financial Statements - Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about individual major funds, and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity.

The City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the City's financial position helps determine whether the city has sufficient resources to cover expenditures for its basic services in the near future.

Reconciliation Between Government-wide and Fund Statements

The financial statements include schedules that reconcile the amounts reported for governmental activities on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). Following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Long-term debt proceeds result in liabilities on the government-wide statements but are other financing sources on the governmental fund statements.

Notes to the Financial Statements

The notes provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information

Hooper City adopts an annual budget for both of its governmental funds. Budgetary comparison schedules for the City's General and Capital Projects funds are included.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The largest component of the City's net assets, 51.5 percent, reflects investments in capital assets (land, buildings, construction in progress, and equipment) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

HOOPER CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2005

Restricted net assets comprise 46.4 percent of total net assets and are subject to external restrictions on how they may be used. The remaining 2.1 percent of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

Hooper City, Utah

Net Assets

June 30, 2005

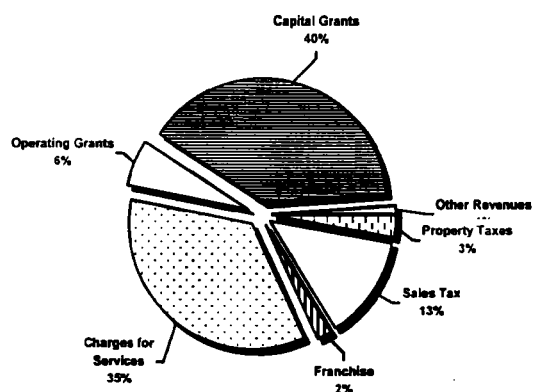
		Governmental	
		Activities	
		2005	2004
Current and Other Assets	\$	2,211,983	\$ 1,097,544
Capital Assets		2,152,372	1,330,844
Total Assets		4,364,355	2,428,388
Current and Other Liabilities		288,913	211,096
Long-term Liabilities		111,439	119,561
Total Liabilities		400,352	330,657
Net Assets:			
Invested in Capital Assets, Net of Related Debt		2,040,933	1,211,283
Restricted		1,838,889	588,700
Unrestricted		84,181	297,748
Total Net Assets	\$	3,964,003	\$ 2,097,731

Percentage change from prior year:

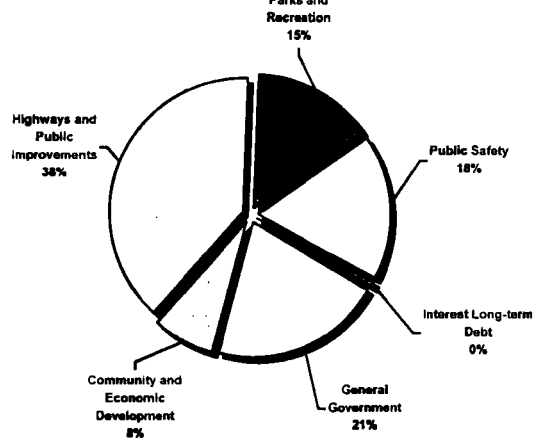
89.00%

24.80%

Hooper City
Total Revenues - 2005



Hooper City
Total Expenses - 2005



HOOPER CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2005

Governmental Activities

Total tax revenues showed a substantial increase during 2005, due to the additional sales tax received where the City has experienced increased population and economic growth. Net assets for governmental activities increased this year due to substantial collections of sewer impact and park impact fees, building inspection fees, and sewer grant funds. All revenue increases are indicators of the rapidly growing population and development in the City.

Hooper City, Utah Changes in Net Assets For the Year Ended June 30, 2005			
	Governmental Activities		Total Percent Change
	2005	2004	2004-2005
Revenues			
General Revenues			
Taxes	\$ 481,184	\$ 460,741	4.4%
Other General Revenues/(Expenses)	31,459	(8,871)	254.6%
Program Revenues			
Charges for Services	927,871	229,982	303.4%
Operating Grants	161,233	213,956	-24.6%
Capital Grants	1,056,000	90,000	1073.3%
Total Revenues	<u>2,657,747</u>	<u>985,808</u>	<u>169.6%</u>
Expenses			
General Government	165,704	249,430	-33.6%
Public Safety	138,807	120,289	15.4%
Highways and Public Improvement	305,991	64,655	373.3%
Parks	117,628	124,357	-5.4%
Community and Economic Development	59,541	10,092	490.0%
Interest on Long-term Debt	3,804	-	0.0%
Total Expenses	<u>791,475</u>	<u>568,823</u>	<u>39.1%</u>
Change in Net Assets	1,866,272	416,985	347.6%
Net Assets - Beginning	<u>2,097,731</u>	<u>1,680,746</u>	<u>24.8%</u>
Net Assets - Ending	<u>\$ 3,964,003</u>	<u>\$ 2,097,731</u>	<u>89.0%</u>

HOOPER CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2005

The table below shows to what extent the City's governmental activities relied on taxes and other general revenue to cover all of their costs. For 2005, these programs generated \$2,145,104 or 271.0 percent of their total expenses through charges for services and grants. Taxes and other general revenues provided an additional \$512,643 for future program expenses.

Hooper City, Utah							
Net Cost of Governmental Activities							
For Year Ended June 30, 2005							
Activities	Total Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Total Expense		
	2005	2005	2005	2004	2005	2004	
General Government	\$ 165,704	\$ 5,489	\$ 160,215	\$ 61,473	3.3%	75.4%	
Public Safety	138,807	15,442	123,365	118,900	11.1%	1.2%	
Highways and Public Improvement	305,991	159,639	146,352	(147,912)	52.2%	328.8%	
Parks	117,628	4,705	112,923	82,332	4.0%	33.8%	
Community and Economic Development	59,541	1,959,829	(1,900,288)	-	3291.6%	0.0%	
Interest on Long-term Debt	3,804	-	3,804	(79,908)	0.0%	891.8%	
Total Governmental Activities	\$ 791,475	\$ 2,145,104	\$ (1,353,629)	\$ 34,885	271.0%	93.9%	

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

Hooper City added \$873,791 in new capital assets during 2005, of which \$748,781 was construction costs primarily related to the new sewer system, and \$125,010 was for equipment purchases.

More information about capital assets is included in Note 3.

Long-term Debt

In 2004, Hooper City financed a road maintenance truck with Capital Lease proceeds in the amount of \$64,561. Principal on the obligation was paid in the amount of \$8,122 in 2005. Long-term debt consisted of the following at June 30, 2005.

Hooper City, Utah			
Long-term Liabilities			
June 30, 2005			
	Governmental Activities		Total Percent Change
	2005	2004	2004-2005
Capital Leases	\$ 56,439	\$ 64,561	-12.58%
Loan - Water Quality Grant	55,000	55,000	0.00%
Total	\$ 111,439	\$ 119,561	-6.79%

HOOPER CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2005

The City received authorization for a \$10,000,000 loan during the fiscal year from the Utah State Division of Water Quality. Such funds will be used for the construction of the City's new sewer system.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund Balances

At June 30, 2005 Hooper City's governmental funds reported combined fund balances of \$1,923,070. Of this amount, \$1,755,685 or 91.3 percent is reserved for various purposes such as road funds, capital projects, sewer and park impact fees, and sewer operations and is therefore unavailable for future spending. The remaining \$167,385 or 8.7 percent is available for new spending. The following chart presents the City's 2005 ending fund balances.

Hooper City, Utah			
Governmental Fund Balances			
June 30, 2005			
	General	Capital	
	Fund	Projects	Total
Reserved	\$ 555,523	\$ 1,200,162	\$ 1,755,685
Unreserved/Undesignated	167,385	-	167,385
Total	\$ 722,908	\$ 1,200,162	\$ 1,923,070
Percent Change from Prior Year:	-8.70%	1168.40%	116.90%

General Fund

During 2005, the fund balance in the General Fund decreased \$68,922 or 8.7 percent due primarily to a fund transfer out to the Capital Projects Fund to finance construction of a new Public Works building. Total revenues increased \$41,624 or 4.1 percent due primarily to increased taxes and building inspection fees.

Total General Fund expenditures increased \$300,776 or 52.6 percent due to an overall increase in operating costs. Such increase in City administration and operating costs were the result of substantial growth in population and development.

General Fund Budgetary Highlights

Hooper City prepares its budget according to state statutes. The most significant budgeted fund is the General Fund. The City amended the General Fund budget several times during the year to meet the needs of the programs as issues arose. The significant changes to the original adopted budget were reflected in many operating expenditures due to the substantial growth of the City. This was particularly evident in the Class C road funds expenditure which changed \$285,000.

Actual General Fund revenues were \$264,170 or 33.7 percent above the original budget and \$51,670 or 5.2 percent above the final budget. Actual expenditures were \$222,729 or 34.3 percent above the original budget and \$239,971 or 21.6 percent below the final budget. The City was required to draw upon existing fund balance in the General Fund this year to cover its expenditures in the amount of \$68,922.

Capital Projects Fund

Fund balance in the Capital Projects Fund increased \$1,105,544 which was due to sewer and park impact fees received as well as a grant received from the State Department of Water Quality.

HOOPER CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2005

OTHER MATTERS

The City has begun development of a new Public Works building with an estimated cost of \$350,000. The building will house road maintenance and other equipment used in City public works and parks operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Hooper City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the City's finances should be addressed to the Hooper City Treasurer, 5580 West 4600 South, Hooper, Utah, 84315.

HOOPER CITY, UTAH
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 197,317
Due from other governmental units	166,787
Receivables (net of allowance for uncollectibles):	8,990
Restricted assets:	
Cash	1,838,889
Capital Assets:	
Land	502,500
Infrastructure	-
Improvements	164,089
Buildings	547,788
Machinery and equipment	287,912
Construction in progress	748,779
Less: Accumulated depreciation	(98,696)
Total Capital Assets	<u>2,152,372</u>
TOTAL ASSETS	<u><u>4,364,355</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	209,453
Accrued liabilities	13,360
Customer deposits	4,700
Deferred revenue	61,400
Total current liabilities	<u>288,913</u>
LONG-TERM LIABILITIES	
Long-term liabilities-Due within one year	8,455
Long-term liabilities-Due in more than one year	102,984
Total long-term liabilities	<u>111,439</u>
TOTAL LIABILITIES	<u>400,352</u>
EQUITY	
Investment in general capital assets	
net of related debt	2,040,933
Restricted Net Assets	1,838,889
Unrestricted Net Assets	84,181
TOTAL NET ASSETS	<u><u>\$ 3,964,003</u></u>

The notes to the financial statements are an integral part of this statement.

HOOPER CITY, UTAH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Function/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General Government	\$ 165,704	\$ 5,489	\$ -	\$ -	\$ (160,215)	\$ -
Community and Economic Development	59,541	903,829	-	1,056,000	1,900,288	-
Highways and Public Improvements	305,991	-	159,639	-	(146,352)	-
Parks and Recreation	117,628	4,705	-	-	(112,923)	-
Public Safety	138,807	13,848	1,594	-	(123,365)	-
Interest on Long-term Debt	3,804	-	-	-	(3,804)	-
Total governmental activities	791,475	927,871	161,233	1,056,000	1,353,629	-
Total primary government	\$ 791,475	\$ 927,871	\$ 161,233	\$ 1,056,000	\$ 1,353,629	\$ 1,353,629
General revenues:						
Taxes and special assessments:						
Property					75,000	-
Sales					353,102	-
Franchise					53,082	-
Unrestricted investment earnings					31,459	-
Transfers					-	-
Total general revenues					512,643	-
Change in net assets					1,866,272	-
Net assets - beginning					2,097,731	-
Net assets - ending					\$ 3,964,003	\$ 3,964,003

**HOOPER CITY, UTAH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	MAJOR FUNDS		TOTALS
	GENERAL	CAPITAL PROJECTS	2005
ASSETS			
Cash and cash equivalents	\$ 197,317	\$ -	\$ 197,317
Due from other governmental units	166,787	-	166,787
Receivables (net of allowance for uncollectibles):	8,990	-	8,990
Restricted assets:			
Cash	555,523	1,283,366	1,838,889
Total assets	<u>928,617</u>	<u>1,283,366</u>	<u>2,211,983</u>
LIABILITIES			
Accounts payable	126,250	83,204	209,453
Accrued liabilities	13,360	-	13,360
Customer deposits	4,700	-	4,700
Deferred revenue	61,400	-	61,400
Total liabilities	<u>205,710</u>	<u>83,204</u>	<u>288,913</u>
EQUITY			
Fund Balance:			
Reserved for Class "C" Road Funds	552,403	-	552,403
Reserved for capital projects	-	301,127	301,127
Reserved for water quality loan/grant funds	-	448,804	448,804
Reserved for sewer impact fees	-	263,737	263,737
Reserved for parks impact fees	-	186,494	186,494
Reserved for sewer operations	3,120	-	3,120
Unreserved fund balance	167,385	-	167,385
Total retained earnings/ fund balances	<u>722,908</u>	<u>1,200,162</u>	<u>1,923,070</u>
Total liabilities & equity/credits	\$ <u>928,617</u>	\$ <u>1,283,366</u>	\$ <u>2,211,983</u>

The notes to the financial statements are an integral part of this statement.

HOOPER CITY, UTAH
Reconciliation of the Balance Sheet-Governmental
Funds to the Statement of Net Assets
For the Year Ended June 30, 2005

Total Fund Balances - Governmental Funds.....	\$ 1,923,070
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets in governmental activities are not financial resources and therefore are not reported in governmental funds, but they are reported in the Statement of Net Assets. Capital assets consist of the following:

Land.....	\$	502,500	
Buildings.....		547,788	
Construction in progress.....		748,781	
Other capital assets.....		451,999	
Accumulated depreciation.....		(98,696)	2,152,372

Some liabilities are not due and payable in the current year and therefore are not reported in governmental funds, but they are reported in the Statement of Net Assets. These liabilities consist of the following:

Notes payable.....	(55,000)		
Capital Leases.....	(56,439)		(111,439)

Net Assets of Governmental Activities.....	\$ 3,964,003
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HOOPER CITY, UTAH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	MAJOR FUNDS		TOTALS
	GENERAL	CAPITAL PROJECTS	2005
REVENUES:			
Taxes	\$ 481,184	\$ -	\$ 481,184
Licenses and permits	315,884	540,401	856,285
Intergovernmental revenue	161,233	1,056,000	1,217,233
Charges for services	52,248	-	52,248
Fines and forfeitures	13,848	-	13,848
Miscellaneous revenues	23,035	13,914	36,949
Total revenues	1,047,432	1,610,315	2,657,747
EXPENDITURES:			
Current:			
General government	155,569	-	155,569
Public safety	138,407	-	138,407
Highways and public improvements	387,210	-	387,210
Parks	126,538	-	126,538
Community and economic development	52,693	748,781	801,474
Debt Service	11,926	-	11,926
Total expenditures	872,344	748,781	1,621,125
Excess (deficiency) of revenues over expenditures	175,088	861,534	1,036,622
OTHER FINANCING SOURCES (USES):			
Proceeds from long-term debt	-	-	-
Transfers in	-	244,010	244,010
Transfers (out)	(244,010)	-	(244,010)
Total other financing sources (uses)	(244,010)	244,010	-
Excess (deficiency) of revenues/sources over (under) expenditures/uses	(68,922)	1,105,544	1,036,622
Fund balance at beginning of year	791,830	94,618	886,448
Fund balance at end of year	\$ 722,908	\$ 1,200,162	\$ 1,923,070

The notes to the financial statements are an integral part of this statement.

HOOPER CITY, UTAH
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds.....	\$ 1,036,622
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays are reported as expenditures in governmental funds.
However, in the Statement of Activities, the cost of capital assets is
allocated over their estimated useful lives as depreciation expense.
In the current year, these amounts were as follows:

Capital outlay.....	\$ 873,791	
Depreciation expense.....	(52,263)	821,528

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, this amount was.....	8,122
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Change in Net Assets of Governmental Activities.....	\$ 1,866,272
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HOOPER CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

The accounting policies of the City of Hooper conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

Hooper City Corporation was incorporated November 30, 2000 by the State of Utah. The City operates under a Mayor-Council form of government and provides the following services: public safety, highways and public improvements, community development, parks, and general administrative services.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the following:

A. The primary government

B. Organizations for which the primary government is financially accountable

C. Other organizations that, because of the nature and significance of their relationship with the primary government, exclusion from the reporting entity would render the financial statements misleading or incomplete

Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds. The City has no component units.

**B. Government-wide And Fund Financial
Statements**

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City has no business-type activities.

The *Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct

HOOPER CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A statement is provided for *governmental funds*. For governmental and proprietary funds, the emphasis is on *major funds*, with each displayed in a separate column. The City does not have proprietary funds.

The City reports the following major governmental funds:

- **General Fund** - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.
- **Capital Projects Fund** - This fund accounts for financial resources to be used for the construction of major capital projects.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

D. Assets, Liabilities, and Fund Balances/Net Assets

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

HOOPER CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

Inventories

No significant inventories are maintained by the City, therefore none are reflected in these statements.

Restricted Assets

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

Capital Assets

General capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Infrastructure capital assets which are newly constructed are capitalized. The City currently has sewer system construction costs which are recorded as Construction in Progress.

Capital assets are depreciated. Depreciation of buildings, improvements, infrastructure, and equipment is computed using the straight-line method.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings.....	40 years
Improvements.....	25 years
Equipment.....	5-7 years
Infrastructure.....	25 years

Long-term Obligations

In the government-wide statements, long-term debt obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

Net Assets/Fund Balances

The difference between assets and liabilities is *net assets* on the government-wide statements, and *fund balance* on the governmental fund statements.

In the governmental fund statements, fund balances are classified as reserved or unreserved. Reserves represent those portions of fund balance that are not available for expenditures or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be designated to represent management's tentative plans for specific future uses.

E. Revenues and Expenditures

The following are the City's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

Revenue Availability

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Hooper City

HOOPER CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

F. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for both funds. All annual appropriations lapse at the fiscal year end. Project-length financial plans are adopted for capital projects funds.

Summary of City Budget Procedures and Calendar

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for both the General and Capital Project Funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the council after the public hearing.
9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. In connection with budget adoption:
 - a. An annual tax ordinance establishing the property tax rate is adopted before June 22.

HOOPER CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22.

12. Budgets for the General and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Summary of Action Required for Budget Changes:

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution. Fund budgets may be increased by resolution after a public hearing.

Current Year Excess of Expenditures Over Appropriations:

For the year ended June 30, 2005, expenditures did not exceed appropriations in either fund.

G. Compensated Absences

City policy provides for vested or accumulated vacation leave. There was no significant accrual at June 30, 2005.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits and investments for Hooper City are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2005 were \$46,254, all of which were insured.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

HOOPER CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City's investments at June 30, 2005.

Investment Type	Fair		Quality	
	Value	Maturity	Ratings	
PTIF Investments	\$ 1,989,951	57 days*	not rated	
Total	\$ 1,989,951			

* Weighted-average maturity

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Maturities of the City's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF.

NOTE 3. CAPITAL ASSETS

The City expended \$748,781 in construction costs primarily in the implementation of a new wastewater system. These are costs related to the planning, surveying and design of the system. The City also had equipment purchases in the area of public works and parks which totaled \$125,010.

HOOPER CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 748,781	\$ -	\$ 748,781
Land	502,500	-	-	502,500
Total capital assets, not being depreciated	502,500	748,781	-	1,251,281
Capital assets, being depreciated:				
Buildings	547,788	-	-	547,788
Improvements - nonbuilding	164,089	-	-	164,089
Machinery and equipment	162,900	125,010	-	287,910
Total capital assets being depreciated	874,777	125,010	-	999,787
Less accumulated depreciation for:				
Buildings and Improvements	21,674	7,092	-	28,766
Equipment	24,759	45,171	-	69,930
Total accumulated depreciation	46,433	52,263	-	98,696
Total capital assets being depreciated, net	828,344	72,747	-	901,091
Governmental activities capital assets, net	\$ 1,330,844	\$ 821,528	\$ -	\$ 2,152,372

Depreciation expense of governmental activities was charged to functions as follows:

General Administration.....	\$ 10,134
Community and Economic Development.....	6,847
Highways and Public Improvements.....	9,024
Parks.....	25,858
Public Safety.....	400
Total.....	\$ 52,263

NOTE 4. LONG-TERM DEBT

On May 22, 2002 the City entered into an agreement with the Utah Water Quality Board for a \$55,000 advance planning grant to study its wastewater needs. The terms of the agreement require that the planning advance be repaid whether the sewer project is implemented or not. The grant funds were received and deposited into the escrow account on August 28, 2002.

HOOVER CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

The sewer project was later implemented with additional funding approved on September 2, 2004. The Utah Water Quality Board authorized a loan of \$10,000,000 with an additional grant of \$4,992,000 including a design advance of \$1,056,000. To date, the City has not drawn on the additional loan funds, but has drawn \$1,056,000 of available grant funds.

The changes in long-term debt are as follows:

	Interest Rate	Balance 6/30/2004 Outstanding	Additions	Reductions	Balance 6/30/2005 Outstanding	Current Portion
Loan - Water Quality Hardship Grant Fund	-	\$ 55,000	\$ -	\$ -	\$ 55,000	\$ -
Capital Lease	4.10%	64,561	-	8,122	56,439	8,455
Total Business-type Activities		\$ 119,561	\$ -	\$ 8,122	\$ 111,439	\$ 8,455

Annual requirements to amortize the long-term debt as of June 30, 2005 are as follows:

Year	DWC Loan		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ -	\$ -	\$ 8,455	\$ 2,314	\$ 8,455	\$ 2,314
2007	55,000	-	8,802	1,967	63,802	1,967
2008	-	-	9,163	1,606	9,163	1,606
2009	-	-	9,538	1,231	9,538	1,231
2010	-	-	9,929	840	9,929	840
2011	-	-	10,552	217	10,552	217
Total	\$ 55,000	\$ -	\$ 56,439	\$ 8,175	\$ 111,439	\$ 8,175

NOTE 5. RESERVATIONS OF FUND BALANCE

Reserved for Class "C" Road – This represents the excess of Class "C" Road funds received over the amount spent.

Reserved for Park Impact Fees – This represents the excess of Park Impact Fees funds received over the amount spent.

HOOPER CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

Reserved for Capital Projects – This represents the excess of Capital Projects funds received over the amount spent.

Reserved for Sewer Impact Fees – This represents the excess of Sewer Impact Fees received over the amount of related sewer costs.

Reserved for Sewer Operations – This represents the excess of customer sewer payments over related operational costs.

Reserved for Water Quality Loan/Grant Funds – This represents the excess of funds from the Utah Department of Water Quality (Sewer Funds) in excess of qualified related costs.

NOTE 6. RISK MANAGEMENT

Hooper City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and participate in a public entity risk pool – the Utah Government Trust. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2005, there is no anticipation of unpaid claims. Therefore, a liability is not accrued.

NOTE 7. RETIREMENT PLANS

A. Pension Plans

Hooper City contributes to the Local Government Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan. The System is administered by Utah Retirement Systems (URS) under the direction of the URS Board, which consists of the State Treasurer and six members appointed by the governor. URS is established under and governed by Title 49 of *Utah Code Annotated*, 1953, as amended (UCA). URS publishes an annual financial report that includes financial statements and required supplementary information for all retirement systems and deferred compensation plans administered by it. Copies of the report may be obtained by writing to Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102; by calling 1-800-365-8772; or by visiting www.urs.org.

Retirement benefits, as specified by UCA Title 49, cover substantially all employees of the State, public education, and other political subdivisions of the State. Only the State Legislature can modify benefits. The Systems provide pension, death, and disability benefits for employees who meet all eligibility requirements. Employees are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus years of service. A brief summary of eligibility, benefits, and contribution rates of the Systems is provided in the table below.

Expenditures or expenses for retirement costs are recorded in the City's funds as contributions are made to the Systems. Contributions made each year were equal to the contributions required by the City's contract with URS. Therefore, the City has no liability for pension obligations.

HOOPER CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

	Noncontributory System
Highest Average Salary.....	Highest 5 years
Years of Service and Age of Eligibility.....	30 years any age 25 years any age 20 years age 60 10 years age 62 4 years age 65
Benefit Percent per Year of Service.....	2.00% per year
Annual Cost of Living Adjustment.....	up to 4.00%
2005 Rates as Percent of Covered Payroll:	
Employer.....	11.09%
Member.....	-
Local Governmental System - Noncontributory	
Actual City Contributions Made, by year - Employer:	
2005.....	\$ 9,078
2004.....	6,228
2003.....	-
401 K Plan - Contributions Made, by year - Employee:	
2005.....	\$ 2,152
2004.....	226
2003.....	-

NOTE 8. PROPERTY TAX CALENDAR

Lien date.....	January 1st
Taxing entity notifies the County of date, time, and place of public hearing.....	March 1st
Budget officer of the entity prepares and files with the City Council a tentative budget for the next fiscal year.....	1st scheduled Council Meeting in May
County Auditor sends valuation certified tax rate and levy worksheets to each taxing entity.....	June 8th
Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the County Auditor.....	Before June 22nd
Taxing entity adopts a final tax rate if there is no increase in certified tax rate.....	June 22nd
Taxing entity adopts final budget if there is no increase in certified tax rate.....	June 22nd
Copy of the budget is submitted to State Auditor within 30 days of adoption payment and delinquency date.....	November 30th

NOTE 9. DEFERRED REVENUE

Deferred revenues are resource inflows that do not yet meet the criteria for revenue recognition. The City follows GASB Statement #33 which reports property taxes currently receivable to be used in the following fiscal year as deferred revenue.

HOOPER CITY, UTAH
REQUIRED SUPPLEMENTAL
INFORMATION

JUNE 30, 2005

HOOVER CITY, UTAH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND AND CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2005

PAGE 1 OF 2

GENERAL FUND					PAGE 1 OF 2
	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final			
REVENUES:					
Taxes					
Property	\$ 85,070	\$ 85,070	\$ 75,000	\$ (10,070)	
Sales	318,000	343,000	353,102	10,102	
Franchise	15,000	15,000	14,560	(440)	
Telecommunications	20,000	30,000	38,522	8,522	
Total Taxes	438,070	473,070	481,184	8,114	
Licenses and Permits					
Business Licenses and Permits	8,263	12,263	12,872	609	
Non-business Licenses and Permits	6,000	6,000	-	(6,000)	
Building, Structures, and Equipment	75,000	270,000	303,013	33,013	
Impact Fees	-	-	-	-	
Total Licenses and Permits	89,263	288,263	315,884	27,621	
Intergovernmental					
Class "C" Road	214,000	155,000	159,639	4,639	
Liquor Funds	1,129	1,129	1,594	465	
Other Governmental Grants	-	-	-	-	
Total Intergovernmental	215,129	156,129	161,233	5,104	
Charges for Services					
Zoning and Subdivision Fees	20,000	42,000	42,803	803	
Parks and Public Property	3,000	4,500	4,705	205	
Sewer	-	6,000	4,740	(1,260)	
Total Charges for Services	23,000	52,500	52,248	(252)	
Fines and Forfeitures					
Fines	9,300	14,300	13,848	(452)	
Total Fines and Forfeitures	9,300	14,300	13,848	(452)	
Miscellaneous Revenues					
Interest Earnings	8,500	11,500	17,547	6,047	
Other	-	-	5,489	5,489	
Total Miscellaneous	8,500	11,500	23,035	11,535	
Total revenues	783,262	995,762	1,047,432	51,670	
EXPENDITURES:					
General Government					
Salaries and Benefits	37,476	41,476	29,282	12,194	
Legal and Accounting	24,000	32,000	37,499	(5,499)	
Executive	9,000	9,000	9,000	-	
Legislative	17,500	19,500	13,150	6,350	
Planning and Zoning	-	-	7,875	(7,875)	
Education & Community Promotion	4,500	8,500	10,749	(2,249)	
Office	22,500	45,200	48,015	(2,815)	
Total General Government	114,976	155,676	155,569	107	
Public Safety					
Sheriff	125,000	125,000	125,146	(146)	
Animal Control	9,000	15,000	13,261	1,739	
Other	-	4,000	-	4,000	
Total Public Safety	134,000	144,000	138,407	5,593	
Highways and Public Improvements					
Salaries and Benefits	-	-	107,331	(107,331)	
Class "C" Roads	91,000	376,000	73,824	302,176	
Engineering	-	-	105,159	(105,159)	
Other	178,613	178,613	10,653	167,960	
Capital Outlay	-	-	90,244	(90,244)	
Total Highways and Public Improvements	269,613	554,613	387,210	167,403	
Parks					
Salaries and Benefits	24,476	31,476	32,489	(1,013)	
Repairs and Maintenance	52,500	52,500	56,937	(4,437)	
Capital Outlay	6,000	96,000	37,112	58,888	
Total Parks	82,976	179,976	126,538	53,438	
Community and Economic Development					
Community Development	1,650	1,650	3,035	(1,385)	
Inspections	25,000	55,000	49,659	5,342	
Total Community and Economic Development	26,650	56,650	52,693	3,957	
Debt Service					
Principal and Interest	21,400	21,400	11,926	9,474	
Total Debt Service	21,400	21,400	11,926	9,474	
Total expenditures	649,615	1,112,315	872,344	239,971	
Excess (deficiency) of revenues over expenditures	133,647	(116,553)	175,088	291,641	
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	-	-	
Transfers Out	(83,533)	(83,533)	(244,010)	(160,477)	
Total other financing sources (uses)	(83,533)	(83,533)	(244,010)	(160,477)	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	50,114	(200,086)	(68,922)	131,164	
Fund balance at beginning of year	791,830	791,830	791,830	-	
Fund balance at end of year	\$ 841,944	\$ 591,744	\$ 722,908	\$ 131,164	

CAPITAL PROJECTS

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HOOPER CITY, UTAH
AUDITOR'S REPORTS AND
AUDITOR'S MANAGEMENT LETTER

JUNE 30, 2005

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

Tarina Chase, CPA

Ann Singleton, CPA

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

To the Honorable Mayor and City Council
Hooper City, Utah
Hooper, UT 84315

We have audited the accompanying financial statements of the governmental activities, and each major fund of Hooper City, Utah, for the year ended June 30, 2005, and have issued our report thereon dated December 21, 2005. As part of our audit, we have audited Hooper City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)
Utah Waste Water Project Assistance Program (Division of Water Quality)

The City did not receive any nonmajor grants during the year ended June 30, 2005.

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Public Debt	Truth in Taxation and Property Tax Limitations
Cash Management	Liquor Law Enforcement
Purchasing Requirements	Uniform Building Code Standards
Budgetary Compliance	Impact Fees
B & C Road Funds	
Other Compliance Issues	

The management of Hooper City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Page 2

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming an opinion on compliance, which is expressed in the following paragraph.

In our opinion, Hooper City, Utah complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Davis, Chase + Associates

December 21, 2005

HOOPER CITY, UTAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-STATE LEGAL COMPLIANCE
YEAR ENDED JUNE 30, 2005

1. BUDGETED PROPERTY TAXES

The amount on the Budgeted Revenue column of the Form TC-693 tax rates summary required by the tax commission was not the same as the revenue amount in the City's adopted budget. This occurred because the budgeted amount includes fees in lieu of taxes and property tax redemptions.

We recommend that the budgeted property tax amount be amended to be the same amount as on the Form TC-693.

Management Response

The City will amend the budget to correspond with the budgeted revenue amount shown on the Form TC-693 after the certified tax rate is adopted.

2. PURCHASING POLICIES

The City's purchasing policy requires approval for acquisition of services and supplies by a city officer, the mayor or the city council depending on the level of expenditure. We noted some instances where formal approval of expenditures was not evident.

We recommend the City establish a more formal approval process where authorization for expenditures at the various levels is clearly indicated.

Management Response

The City will establish a more formal approval process to be consistent with the purchasing policy.

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

Tarina Chase, CPA

Ann Singleton, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and City Council
Hooper City, Utah
Hooper, Utah 84315

We have audited the financial statements of the governmental activities, and each major fund of Hooper City, Utah, as of and for the year ended June 30, 2005 and have issued our report thereon dated December 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hooper City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Hooper City, Utah in a separate letter dated December 21, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hooper City, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over the financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to the management of Hooper City, Utah in a separate letter dated December 21, 2005.

This report is intended for the information of the audit committee, legislative body, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Chue & Associates

December 21, 2005

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

Tarina Chase, CPA

Ann Singleton, CPA

To the Honorable Mayor and City Council
Hooper City, Utah
Hooper, Utah 84315

We have recently completed our audit examination for the year ended June 30, 2005. During the course of our audit, we observed a few items we feel require your consideration. They are as follows:

1. **BUDGETED PROPERTY TAXES**

The amount on the Budgeted Revenue column of the Form TC-693 tax rates summary required by the tax commission was not the same as the revenue amount in the City's adopted budget. This occurred because the budgeted amount includes fees in lieu of taxes and property tax redemptions.

We recommend that the budgeted property tax amount be amended to be the same amount as on the Form TC-693.

Management Response

The City will amend the budget to correspond with the budgeted revenue amount shown on the Form TC-693 after the certified tax rate is adopted.

2. **PURCHASING POLICIES**

The City's purchasing policy requires approval for acquisition of services and supplies by a city officer, the mayor or the city council depending on the level of expenditure. We noted some instances where formal approval of expenditures was not evident.

We recommend the City establish a more formal approval process where authorization for expenditures at the various levels is clearly indicated.

Management Response

The City will establish a more formal approval process to be consistent with the purchasing policy.

Hooper City, Utah

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We appreciate the cooperation and assistance we have received from City personnel during the audit.

Davis, Chase & Associates

December 21, 2005

HOOPER CITY, UTAH
STATUS OF FISCAL YEAR 2004 FINDINGS
AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2005

1. BUDGETED PROPERTY TAXES

The amount on the Budgeted Revenue column of the Form TC-693 tax rates summary required by the tax commission was not the same as the revenue amount in the District's adopted budget. There were no budgeted property taxes in the City's budget. This occurred because of the acquisition of Hooper Park Service Area January 1, 2003. The park district had set the certified tax rate.

We recommend that the budgeted property tax amount be amended to be the same amount as on the Form TC-693.

Management Response

The District will amend the budget to correspond with the budgeted revenue amount shown on the Form TC-693 after the certified tax rate is adopted.

Status: Not implemented.

2. CASH MANAGEMENT

Utah Code 51-4-2(2) requires that all public funds shall be deposited daily, whenever practicable, but not later than three business days after receipt. We noted several instances where impact fees and other cash receipts were not being deposited in a timely basis.

We recommend that the City make deposits as required by the Utah Code.

Management Response

The City will make deposits on a timely basis as required by Utah Code.

Status: Implemented.

3. TREASURER'S BOND

The City's current coverage does not provide bonding for the City Treasurer in the proper amount as provided in the Utah Code Section 51-7-15. Every public treasurer shall be bonded in the amount provided in a table required by Utah Code.

We recommend a fidelity bond on the City's treasurer be obtained in the proper amount.

Management Response

The City will obtain a treasurer's bond based on budgeted gross revenue.

Status: Implemented.

HOOPER CITY, UTAH
STATUS OF FISCAL YEAR 2004 FINDINGS
AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2005

4. EXCESS FUND BALANCE

The fund balance in the General Fund is in excess of the limitations set by state law. Section 10-6-116 (2) of the Utah Code Annotated, 1953, as amended sets forth the amount of the fund balance that may be accumulated in the General Fund as follows: The accumulation of a fund balance in the General Fund shall not exceed 18% of the total estimated revenue of the General Fund.

We recommend the excess over the maximum allowed be recognized in the budget of the current year or in the budget for the succeeding year.

Management Response

The City is aware of the excess and will either incorporate the excess in the budget when the budget is reopened and amended or in the following year.

Status: Implemented.

5. IMPACT FEE ACCOUNTING

As required by Utah Code 11-36-301, each local political subdivision collecting impact fees shall establish separate interest bearing ledger accounts for each type of public facility for which an impact fee is collected; deposit impact fee receipts in the appropriate ledger account; retain the interest earned on each fund or account in the fund or account; at the end of the fiscal year, prepare a report on each fund or account showing the source and amount of all monies collected, earned, and received by the fund or account and each expenditure from the fund or account, and; have the report available for public inspection during regular business hours.

We recommend the City maintain an accurate accounting of impact fee assessments, and impact fee expenditures, and accrue interest on any unspent impact fee balances carried over.

Management Response

The City will maintain an accurate listing of impact fee assessments, account for impact fee expenditures and accrue interest on the impact fee account balances.

Status: Implemented.